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European Union

Trade Policy Monitoring

EU and US Trade Flows with Developing Countries 2003

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Report Highlights:

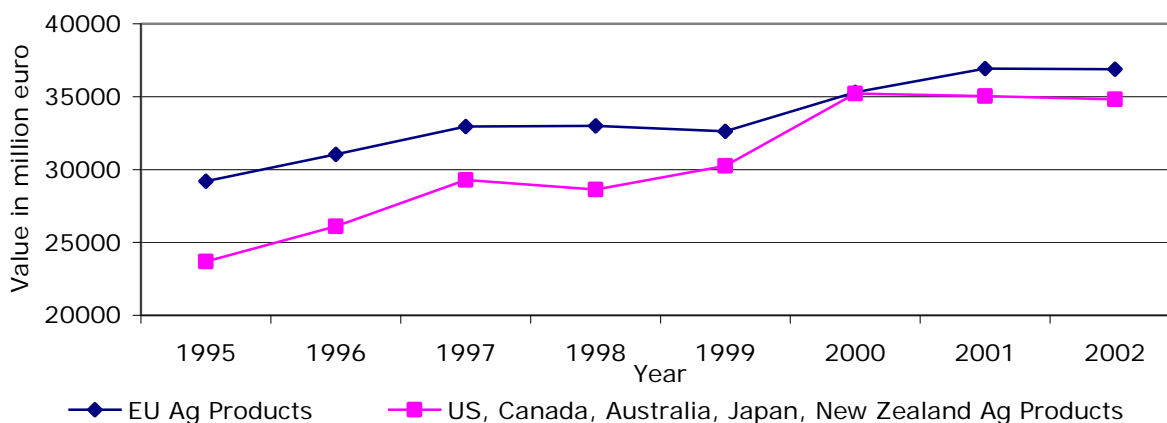
This report provides a summary of EU and US agricultural and non-agricultural trade flows with developing countries. The EU is the largest agricultural importer from developing countries; however, in total the United States is the largest overall importer of products from developing countries. In terms of growth rates, imports from developing countries into the United States are growing far more rapidly than are those into the EU.

Includes PSD Changes: No
Includes Trade Matrix: No
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This report is in response to EU statements that the EU is the most open to the developing world through providing preferential treatment that enhances trade between the EU and developing countries. While the EU does import the largest quantity of agricultural goods from developing countries, the average yearly increase in agricultural imports between 1995 and 2002 from developing countries is far lower than the growth rates in the United States, Canada, and Australia. In addition, the EU is the largest importer of agricultural goods from developing countries, but the United States is by far the largest importer of non-agricultural goods from developing countries. The average yearly growth rates for non-agricultural imports from developing countries over the past seven years are also much higher in the United States, Canada, Australia, and Japan. The low growth rates in imports from developing countries realized in the EU leads to the conclusion that although the EU has conceded preferential market access to many developing countries there is little room for further growth potential for developing country exports to the EU.

The EU was the largest agricultural exporter in 2002, exporting 61.7 billion Euro in agricultural goods, which exceeds the United States by 500 million Euro. Over 20.1 billion Euro of EU agricultural exports are shipped to developing countries. Although it is the largest exporter, the EU is a net agricultural importer. The EU's population is larger than the United States, Canada, Australia, and New Zealand combined, therefore, expectedly it is the largest agricultural importer by over 12 billion Euro. In terms of imports, the EU does in fact import more agricultural commodities from developing countries than does the United States, Canada, Japan, Australia, and New Zealand combined, as shown in Figure 1. In 2002, the EU imported 62.5 billion Euro of agricultural products, 59 percent of which came from the developing world. However, trade liberalization has only moderately opened the EU borders to increased imports from developing countries. Following the completion of the Uruguay Round in 1995, the EU has increased its agricultural imports from developing countries by only 26 percent.

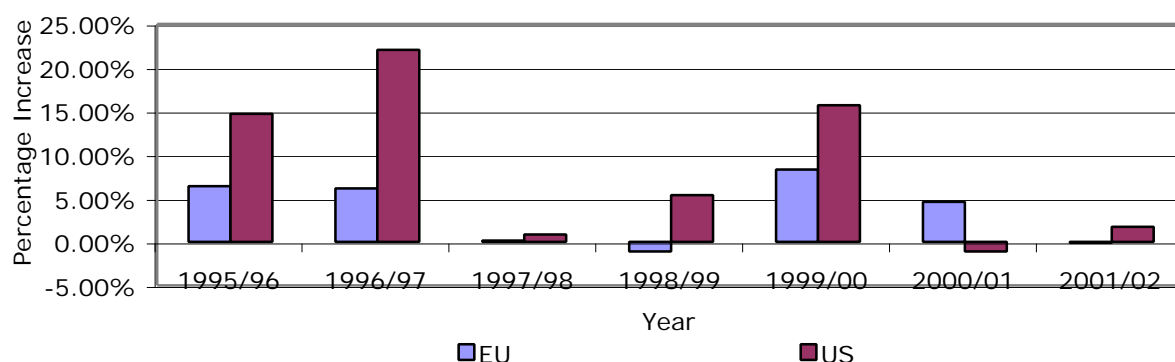
Figure 1. Agricultural Imports from Developing Countries, euro, 1995 - 2002



The United States has historically been and continues to be a large net agricultural exporter. Although it is a net exporter, in 2002 the United States imported more than 20 billion Euro in agricultural goods from developing countries and more than 48 billion Euro in agricultural products total. While EU agriculture imports have increased by 26 percent with the Uruguay Round, agricultural imports into the United States from developing countries have increased by 73 percent since 1995. Additionally, the average yearly growth rate in developing country agriculture imports from 1995 - 2002 in the United States was over 14 percent, during the same period the average in the EU was just under 4 percent, as shown in Figure 2. Considering the high growth rates, the United States shows potential to become an even larger importer of agricultural goods from developing countries, providing growth potential

for developing country exports.

Figure 2. Percentage Change in Developing Country Agricultural Imports, euro, 1995/96 - 2001/02



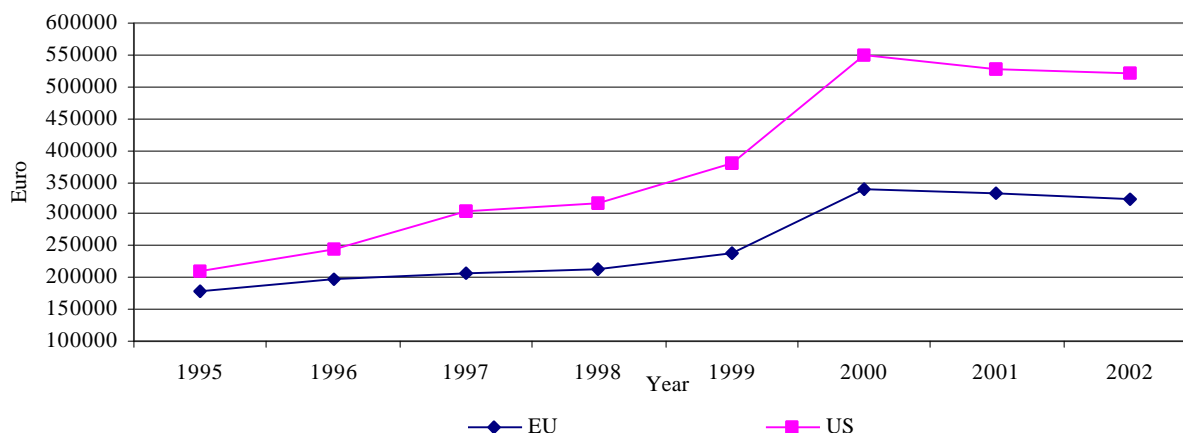
In Australia, Canada, and New Zealand the story is similar to the United States; agricultural imports from developing countries have increased much faster than increases the EU. Prior to the Uruguay Round, the EU imported considerably more agricultural products from developing countries; however, the rate of increase has declined. Higher growth rates of agricultural imports from developing countries in the United States, Canada, and Australia in the late 1990's compared to the EU allowed developing country agricultural exports to the above mentioned countries to hit a record high for in 2000, narrowing the gap with the EU to 102 million Euro, also seen in Figure 1. In 2002, the EU imported only 2 billion Euro more agricultural products from developing countries than did the United States, Japan, Canada, Australia, and New Zealand. The effects shown here are similar when calculated in dollars, however, the growth rates are much lower. Graphs using dollars are available in the appendix.

While examining the trade flow patterns between developed and developing countries, it is also important to determine the major players on the developing country side. Of all EU agricultural imports from developing countries, agricultural imports from Brazil comprised 20 percent of these imports in 2002. Brazil is the third largest agricultural exporter, exporting more agricultural goods than Canada and Australia (separately) in 2002. Brazilian agricultural exports are extremely competitive on the world market and have increased rapidly over the past 5 years, particularly in soybeans and related products. In establishing that the EU is the largest importer of developing country agricultural exports, the EU also included other large agricultural exporters such as Argentina, South Africa, and Thailand that are often not classified in the developing country status in terms of trade. The percentage of developing country agricultural imports from the countries listed above also including Brazil was nearly 40 percent in the EU compared to just 16 percent in the United States. Not counting the agricultural imports from Brazil, the EU claim of importing more agricultural goods from developing countries than the United States, Canada, Australia, Japan, and New Zealand combined is simply no longer true. In fact, it narrows the gap between EU and US developing country agriculture imports to only 5.8 billion Euro, while the EU has over 88 million more consumers than the United States.

In addition to agricultural products, the United States is a promising market for manufactured and industrial goods as well. The United States imports 522 billion in non-agricultural goods from developing countries, approximately 20 billion Euro more non-agricultural goods from developing countries than the EU. In terms of aiding development, a World Bank study found growth in the manufactured goods sector and the ability to penetrate markets in the industrial sector to be a key factor in distinguishing countries that

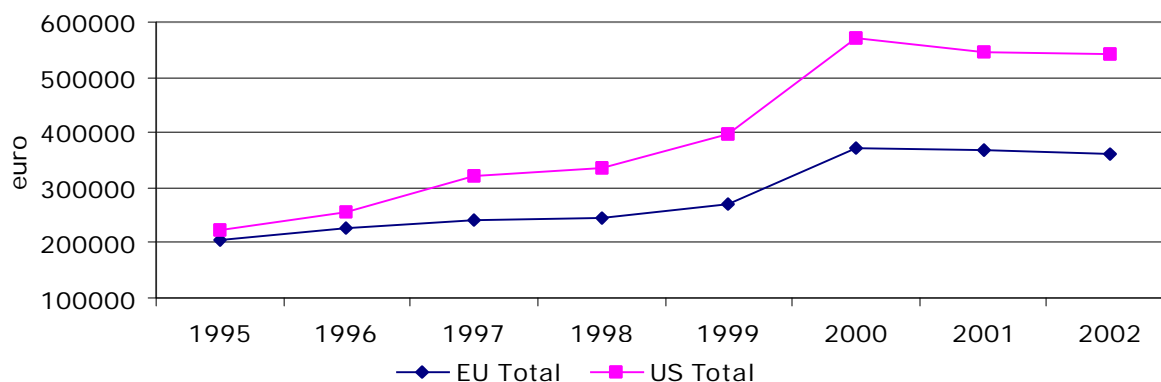
have grown in recent years from those that have not¹. Since the completion of the Uruguay Round, the amount of non-agricultural exports from developing countries to the United States, Canada, Australia, and New Zealand have all increased substantially more than have exports to the EU. Specifically, non-agricultural imports from developing countries have increased by 148 percent in the United States since 1995 versus an 82 percent increase in the EU.

Figure 3. Non Agricultural Imports from Developing Countries, euro, 1995-2002



Overall, the United States is the world's largest importer of goods from developing countries, exceeding EU imports from the developing world by 18 billion Euro. Trade liberalization in the United States following the Uruguay Round has helped U.S. imports from developing countries to increase by 144 percent, while only 74 percent in the EU. The case is similar in Canada and Australia, both of which have increased imports from developing countries by over 120 percent since 1995 and New Zealand by 99 percent. This makes the case that the United States, Canada, Australia, and New Zealand have all been more successful in liberalizing trade barriers and increasing market access for developing countries than has the EU following the completion of the Uruguay Round. A study by the Center for Global Development and Foreign Policy magazine also ranked the United States trade policy as the most open to trade with developing countries². This shows that the United States, not the EU, is the most open to the developing world in terms of trade, as it is the largest importer of goods from developing countries coupled with the highest import growth rates.

Figure 4. Total Imports from Developing Countries, euro, 1995-2002



¹ http://econ.worldbank.org/files/2895_overview.pdf

² <http://www.foreignpolicy.com/story/story.php?storyID=13656>

Appendix: Figures 1 - 4 in US Dollar values

Figure 1. Agriculture Imports from Developing Countries, million USD, 1995-2002

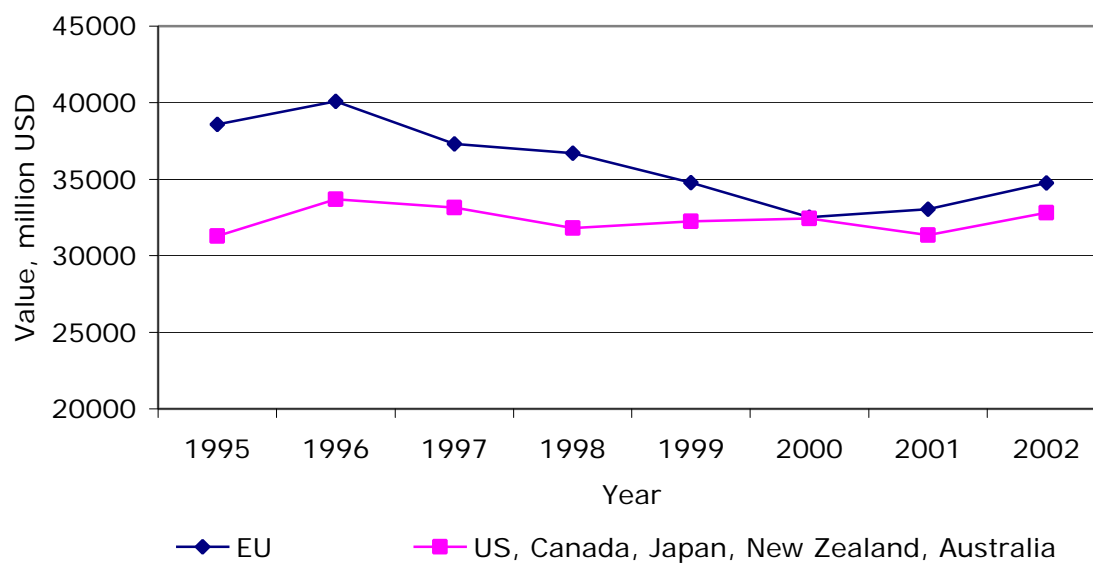


Figure 2. Percentage Change in Developing Country Agriculture Imports, USD, 1995/96 - 2001/02

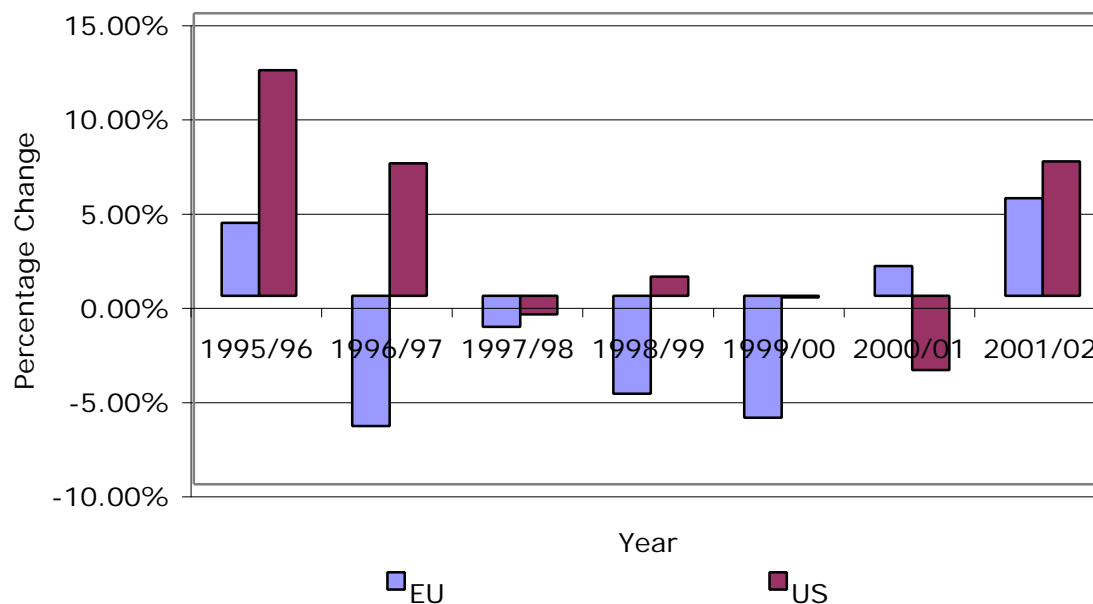


Figure 3. Non-agricultural imports from developing countries, USD, 1995-2002

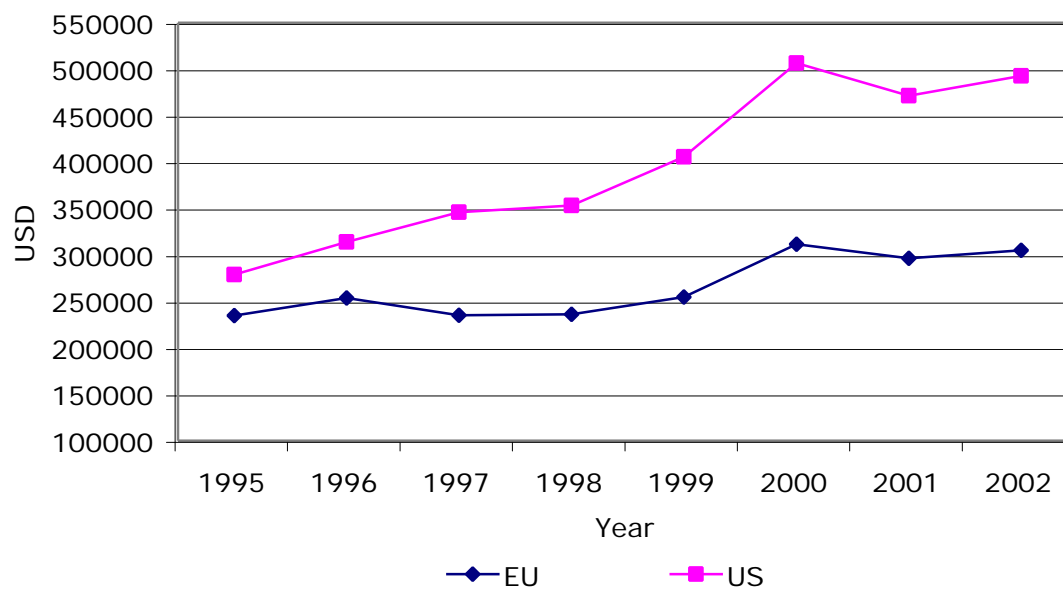


Figure 4. Total Imports from developing countries, USD, 1995-2002

